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Report on the multi-year funding framework (2000-2003): Supplementary information

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I. Introduction

1. UNDP is submitting its Report on the Multi-Year Funding Framework (MYFF) (DP/2003/12) covering the period 2000-2003 to the Executive Board at its Annual Session in June 2003. DP/2003/12 highlights the key achievements of the organisation in its attempt to implement results-based approaches in the context of the strategic framework approved by the Board in its decision 99/1.

2. This Conference Room Paper (CRP) has been prepared following a series of informal consultations with Executive Board members during which several delegations requested additional information covering, in particular, a country level view of how the new strategic directions of the organisation are being applied, and a more analytical review of experience to date of the key issues and lessons learned by UNDP in the results-centered organizational transformation of the past three years.[1] The critical questions underlying the request appear to include: the extent to which UNDP has, at the country level, been successful in moving towards a strategic programme focus and positioning; the effectiveness with which UNDP has used advocacy, policy dialogue, and country presence to influence national policies; and, the effectiveness by which UNDP has used partnerships to further development change. Further information on programme expenditures by broad category of funding source and MYFF goals was also requested.

3. The CRP, therefore, is being submitted in the spirit of a process by which UNDP engages members of the Executive Board and obtain their guidance on the finalisation of the next corporate Multi Year Funding Framework (2004-2007) at the Board's Second Regular Session in September 2003. As part of a continuing dialogue, the CRP does not profess to be a complete statement of UNDP's position on the issues being discussed. It is expected that, based on discussions at the Annual Session of the Board and other fora, UNDP will be submitting additional documentation to Board members.

4. This document comprises three parts. Part One offers additional observations, and highlights some substantive lessons learned from the MYFF to date, particularly as they relate to service lines within the major areas of UNDP activities. Part Two explores how the organization has attempted to implement and internalize results based management while at the same time contributing to intended outcomes at the country level. Part Three analyses programme expenditures over the period 2000-02.

II. Part One – Substantive Results by MYFF Goal

5. UNDP, in its ongoing monitoring of the shift to results based management over the past several years, has been seeking the answers to the central questions mentioned above that, together, help define how well we are doing. Country office ROAR submissions and feedback gathered from the recently decentralized applied policy specialists have provided critical data. In addition, a series of ongoing evaluations have yielded valuable lessons, and thus inform the revised oversight goals of the organisation. As a result, though still imperfect, our understanding of the issues involved is improving.

6. DP/2003/12 reviewed our experience so far in making progress towards the MYFF goals during the first MYFF period. Looking to the future, this assessment of organizational effectiveness yields a powerful insight about planned efforts to advance the Millennium Development Goals (MDGs). This insight stems from the fundamental connections between development, democratic governance, human rights and peace and security which were articulated and acknowledged universally in the Millennium Declaration. Even as the international community has begun to take major steps towards addressing the MDGs, it has been less successful in defining the institutional platforms and mechanisms through which to make the integrative framework of the Declaration operational. It is in this connection that the analysis presented here and in DP/2003/12 – among other things, the

[1] References have been made to individual countries where they illustrate the point being made. They are cited as examples only, and do not constitute a full list.

evidence of expanding efforts on democratic governance, human rights, pro-poor policies and peace-building – reveals how the work of UNDP can provide a basis for pulling together the connected strands of the Declaration into coherent and effective operations at the country level. By the same token, this possibility also implies that the Declaration can provide the strategic logic and conceptual coherence for the next MYFF. Furthermore, the potential of such an approach is magnified considerably when the coordination role of UNDP is factored into the equation, making possible a much broader movement in the same direction across the UN system and, perhaps, the development community.

7. Without yet attempting to provide definitive answers, this section of the CRP complements DP/2003/12 and provides some further observations which, taken together with other information provided earlier, could serve as the basis for further discussion with the Board on the principal areas of UNDP activities. The observations below are classified by MYFF goal, and major areas within each goal.

A. Enabling Environment for Sustainable Human Development (Democratic Governance)

8. Consistent with broader trends across the MYFF goals, there is a greater focus and an increasingly visible alignment around a smaller number of outcomes and core service lines for this goal.

9. The two most widely practiced areas of democratic governance work supported by UNDP at the country level are *decentralized local governance and public administration reform* (with outcomes reported in 90 and 80 countries respectively). Among the trends observed is the rapid growth in decentralization and local governance programme interventions in the past few years—building on a first generation of public administration reform programmes that were not yet explicitly focused on developing the capacity of local administration. Adding further complexity to the capacity development challenges of central and local administrative bodies has been an increasing number of programmes responding to civic education and local media. The major challenge presented in this important area of governance support for UNDP is to garner lessons of good practice and advance more rapidly in supporting integrated approaches to decentralization, local governance and public administration reform. Good examples are emerging in countries such as the Lao People's Democratic Republic and Mozambique to help guide this challenge.

10. The area of *electoral assistance,* while smaller, remains for UNDP an important starting point for support to a broader governance programme. The challenge for UNDP in this area is to effect a better balance between short term, event-specific election support projects and longer-term more development oriented support to electoral systems and processes. While a number of countries with UNDP support like Bangladesh approach the sector in the latter manner, the overwhelming number of UNDP projects in this field are less than one year in duration. Evidence shows that they are typically linked to a specific election, sometimes not designed with an explicit sustainability optic and, while well supporting the election, could make a more significant contribution to improved capacity for subsequent elections.

11. In support to *parliamentary development,* a significant number of ongoing programmes have successfully resulted in an improved technical capacity of the national legislative body by strengthening rules of procedure, administrative structures, information bases, and training of elected members and staff. While a significant number, like the case of Benin, have more recently worked on strengthening the parliament's oversight capacity, fewer have focused on improving the quality of the representational function. The challenge in this area is to deepen parliamentary support programmes so that they strengthen the institution in it's various roles and functions thereby strengthening more balanced institutional capacity and promoting a stronger role of the legislative body in democratic development at the country level.

12. Support to *justice and human rights* has been among the fastest growing areas of the governance goal for UNDP. The first generation of justice support programmes has focused very much on strengthening the institutional capacity and functioning of various institutions of the formal justice sector (courts, prosecutors,

justice ministries, police, corrections etc). While these have been largely successful in achieving intended results, UNDP now needs to link such support to an improved access to justice for the poor. This implies a greater focus on interventions that protect and promote citizens rights to access justice through non-formal means as well (legal aid, alternatives, local legal services and traditional justice).

13. E-governance is a rapidly emerging cross-practice area between *ICT for Development* (ICTD) and Democratic Governance. UNDP has been supporting several programmes in this area with a focus ranging from increased transparency and accountability of national and local governments to enhanced involvement and participation of civil society in global, national and local governance issues. In spite of country demands, UNDP interventions have however been limited in both scope and size due in part to limited resources. Furthermore, the initial drive to support these programmes has come from the ICTD side, which has to some extent prevented better integration with related and ongoing governance programmes. This area also appears as offering promising opportunities for South-South cooperation.

14. The number of UNDP country offices reporting *HIV/AIDS* activities has rapidly increased over the period 2000-2002. Significant results have been achieved in developing leadership skills and capacity for advocating, planning, managing and implementing HIV/AIDS responses at both national and local levels. However, given the limited availability of resources, the main challenge for UNDP is to increase synergies between activities to scale-up HIV/AIDS responses for society-wide impact. UNDP is adopting a governance lens for its work on HIV/AIDS, and promotes a holistic approach to the epidemic.

15. There is an increasing demand for UNDP to assist programme countries in *multi-stakeholder dialogues on governance priorities* and to support national capacities for independent media and information. There are approximately 30 countries with outcomes in this area, ranging from civic dialogue programmes in many countries in Latin America to support for independent media development in countries such as Kazakhstan and the Gambia. As a relatively new area of practice, the principal future challenge here is to establish the standards for good practice and results measurement early to help guide initiatives.

16. In the area of *advocacy and policy dialogue* UNDP can report positive trends and results during the MYFF period. The 2002 Human Development Report on Deepening Democracy in a Fragmented World has been a major advocacy contribution to the organisation's democratic governance agenda, significantly advancing understanding and awareness of the challenges in working on democratic governance with a poverty and human development focus, and providing a platform for corporate advocacy. The Arab Human Development Report (2002), similarly, made an important information and advocacy contribution to the governance and development debate in that region.

B. Poverty Reduction

17. Evidence shows that UNDP has progressed over the last three years from scattered poverty reduction projects at the local level, to a greater focus on support to national policy frameworks for poverty reduction. The recent emergence of the poverty reduction strategy papers has given additional impetus and urgency to this transformation. More recently, other activities as part of the core UN strategy for the Millennium Development Goals have accelerated this process.

18. The 1999 results-oriented annual report shows that the bulk of UNDP's support to poverty-reduction was targeted at the local community level, with "downstream expenditures" twice as high as those for "upstream expenditures" with little evidence of their translation into change at the policy-making level. Compared to 1999, UNDP poverty reduction support has achieved greater focus and strategic coherence, but considerable challenges remain in consolidating our upstream gains, streamlining our activities and honing our poverty focus.

19. UNDP support to *national poverty reduction strategies* is a major and growing area of involvement within this goal. There has been a clear focus on poverty monitoring and participation, and this has been invaluable. Nevertheless, more needs to be done to strengthen governments capacities to develop home-grown pro-poor policies and budgets. This was one of the major findings of a recent UNDP evaluation of UNDP's support to PRSPs. The results of this evaluation will be introduced at the Annual Session of the Board in June 2003. While trends in poverty are being monitored in PRSPs, UNDP can provide added value by ensuring adequate and consistent advice on the resource or policy implications, especially as they relate to vulnerable groups. The evaluation also noted that UNDP should encourage PRSPs to reflect the multi-dimensional nature of poverty, rather than an over-emphasis on income poverty. Building on the tradition of the global and national Human Development Reports, UNDP has positioned itself to offer feasible policy options and alternative views on human development and poverty reduction, but needs to fully translate this positioning into more proactive support to PRSP policy formulation and implementation.

20. Similarly, while UNDP support has been effective in paving the way for civil society organizations to participate more extensively in the PRSP process, it has so far been less effective in enabling their substantive voice to meaningfully influence the national agenda. National ownership of the PRSP process is being fostered but without enough practical advice on viable economic and social policy choices. However, some success stories point the way to the future. As a precedent-setting example, in one country in southern Africa UNDP has supported a coalition of civil society organizations to prepare position papers on a wide range of poverty issues in order to influence the content of the PRSP. This contrasts with the usual practice of requesting civil society organizations to play the more passive role of merely giving feedback on PRSP drafts.

21. UNDP's increasing role at the country level of furthering the MDG agenda through national goal setting and building capacities for MDG monitoring, reporting and advocacy is reflected in the rapid, and recent, increase in MDG linked outcomes. This trend suggests an adjustment to the MYFF by incorporation of a service line on MDGs, linking both poverty reduction strategies and our involvement in the PRSP process to MDG areas of support.

22. In striving to build national ownership of, and broader participation in, the MDG campaign, UNDP is putting renewed emphasis on partnerships with civil society organizations on MDG monitoring, reporting and advocacy. The challenge is to meet the deadline of producing MDG reports in every country by the end of 2004, since the ultimate value of the reports as powerful advocacy tools will be tremendously enhanced with wider participation by partners.

23. Given the vital link between poverty reduction and employment generation, country offices report numerous small-scale interventions for generating self-employment. However, analysis shows that UNDP has not sufficiently moved upstream on employment issues. Much remains to be done to strengthen the strategic links between employment generation and poverty reduction so that these experiences can inform consistent policy advice at the national level.

24. In order to increase the *access of the poor to productive assets and resources* much of the focus in the current MYFF period has been on micro-finance where UNDP, in collaboration with UNCDF, has been moving upstream to influence national legal and regulatory frameworks and develop national strategies for sustainable financial services for the poor.

25. In the area of *aid, trade and debt relief*, UNDP has corporately, through a series of high-profile publications on globalization and participation in initiatives such as the Integrated Framework, positioned itself to be a prominent advocate for making aid, trade and debt relief work for the poor. However, country ROARs show that these initiatives have yet to be translated into regional and country-level programmes. Given the salience of this issue for programme countries, this may well represent a significant opportunity for the organisation in the next MYFF period.

C. Energy and Environment

26. UNDP works on environment and natural resources issues as a means to support poverty reduction and sustainable development. The link between natural resources issues including water, energy, agriculture and biodiversity, and national efforts to support economic growth and human well-being were at the center of global discourse at the World Summit on Sustainable Development in 2002. UNDP works on these issues in the majority of country operations including support for national sustainable development planning. While non-core funding from global trust funds such as the Global Environment Facility (GEF) and the Multilateral Fund for Montreal Protocol (MP) continue to predominate in this area, significant alignment has occurred on key thematic issues among core and non-core programme resources.

27. Capacity development to support *national and local sustainable development strategies* is a major area of UNDP activity addressing development frameworks and policies linked to environmental and human welfare considerations. Country level efforts directly address decentralization and governance issues critical to the sustainable use of natural resources, pollution reduction and livelihoods generation. This emerged as a major area of support in this reporting period, due in part to the important Capacity 21 programme. UNDP's unique role in facilitating cross-sectoral and multi-stakeholder dialogue, with government and civil society in this area is an important niche in development support.

28. In the area of *water governance* issues linked to access to water resources and related services are increasing in importance. UNDP's niche in this regard lies in supporting effective systems of water governance to ensure both ecological integrity and the access to adequate safe water resources and services by poor people, such as the case of Honduras. Further efforts are needed to strengthen water oversight institutions, legislation and policies, and community engagement for improved water management, water supply and sanitation services provision. UNDP works extensively on transboundary water issues, including coastal zone management, but SRF reporting in this area has lagged in some cases due to the multi-country nature of the programmes themselves.

29. In the area of *access to energy services* and combating climate change, UNDP is addressing both poverty and environmental concerns in its energy portfolio. Significant efforts in the area of renewable energy, energy efficiency and clean energy technologies, as well as reporting on implementation of the UN Framework Convention on Climate Change (UNFCCC), are supported in over 70% of country operations through support from the GEF. As in the case of water, the predominance of GEF programme funding in this area, which is tied to addressing global environmental issues, has in some regions, particularly Africa, limited programme development to addressing local poverty linkages. Further efforts are needed to link regular resources to GEF programme development to address these gaps.

30. In support of *agriculture and drylands management* UNDP is working on local and national planning and management frameworks to address legal, institutional and capacity needs, especially in LDCs. These efforts are linked to both the preservation of the local resource base, agricultural viability and human vulnerability to desertification. The UNDP Drylands Development Center (DDC) provides technical assistance on these issues, especially in Africa. Remaining challenges related to land tenure, access to common lands and legal status of rural populations require additional linkages with governance programme development in many countries.

31. In the area of *biodiversity*, UNDP is supporting country efforts to maintain biodiversity and the ecosystem services they deliver, with a special emphasis on local community efforts to conserve and sustainably use biological resources. The importance of biodiversity as an essential ingredient to support food security, human health, local economic opportunities and to reduce the vulnerability of poor people are key features of UNDP's efforts in more than 90% of programme countries. The UNDP-GEF Small Grants Programme (SGP) works extensively in this area helping local communities to address environmentally sustainable livelihoods through

projects such as assisting the Masai in East Africa to develop ecotourism opportunities that alleviate poverty while simultaneously maintaining biological diversity.

32. The *Global Environment Facility (GEF)* has recently expanded its mandate, moving into new areas such as land degradation, and persistent organic pollutants, in addition to the four traditional areas of climate change, biodiversity, international waters and ozone layer protection. Additional implementing agencies have been approved by the GEF Council to participate in programme development resulting in an overall greater competition for resources among work programme areas and implementing agencies. It appears that GEF programmes are not adequately reflected in country level reporting, though the volume of additional resources are significant. Greater efforts are needed to reflect GEF programme outcomes in country level reporting, and to further combine regular resources in programme development if additional GEF funding is to be mobilized. Integrated programmes, addressing local poverty linkages in addition to global environment benefits are essential in this regard.

33. In the area of *ozone layer protection* UNDP's Montreal Protocol (MP) programme is moving away from individual projects towards multi-year, compliance-driven and performance-based national and sectoral programmes requiring far more policy and institutional support. Reimbursement of support costs to implementing agencies, including UNDP, have been reduced while programme delivery demands have risen. UNDPs MP programme is increasing its engagement with multinational enterprises and local small and medium-sized firms as development partners to achieve MP objectives requiring additional efforts at the country level. Though MP programmes are operational in 68 countries and are a significant source of programme resources, they appear to be under-reported in ROAR submissions.

34. Looking forward, the principle challenge will be to further link efforts in this goal area to the achievement of *all of the MDGs*. Energy services and access to natural resources are essential to address poverty, hunger, health and the situation of women and, as such, programme activities are relevant not only to the MDG on environmental sustainability, but to the MDGs at large. Strengthening the linkages between environment, poverty and governance programme development are key to address this.

D. <u>Special Development Situations (Crisis Prevention and Recovery)</u>

35. There are a growing number of countries that are grappling with special development needs and, as is shown in the Executive Board document DP/2003/12, UNDP is now working in more than 60 countries on outcomes related to crisis prevention and recovery. This remains however a relatively new area of support, not only for UNDP, but also for development actors across the board. Operationalising crisis prevention work and effectively bridging the gap between relief and development remains a critical challenge for the UN as a whole.

36. The two main categories of support in UNDP's Special Development Situations (SDS) mandate are peacebuilding (and related conflict-prevention work) and natural disasters. While the discipline imposed by the MYFF has, to an extent, helped to focus UNDP support around selected strategic areas of support, the inherent unpredictability of crisis situations correctly calls for UNDP and its partners to maintain flexibility and continuous relevance in responding to the uniqueness of each crisis.

37. In the area of *peacebuilding*, UNDP has supported a wide range of country-specific interventions including disarmament, small arms reduction and reintegration. However, given the increasingly regional nature of conflicts, for instance such as in West Africa, a major challenge for UNDP is to assist in the development and implementation of regional strategies and approaches. Evidence has shown that national "weapons for development" or small arms programmes, for example, can only have limited impact if border controls are weak and arms continue to flow in from neighbouring countries.

38. UNDP support to community-based recovery programmes and approaches in a large number of post-conflict situations has demonstrated positive impact (e.g. in Sierra Leone, Angola, Eritrea, Indonesia, Sudan and Somalia), however the role of UNDP in supporting the transition from relief to recovery is still not fully recognized or understood by our external partners. Stronger advocacy and policy dialogue will be a future focus, as well as UNDP's contribution to developing a shared UN policy to address the gap between relief and development. UNDP continues to support the development of national recovery frameworks (e.g. in Sri Lanka, Colombia and East Timor) that in many cases have provided the platform on which other development actors can determine specific areas for support. A challenge in future will be to translate these country-specific interventions to international best practice. UNDP also needs to give more attention to strengthening the contribution of civil society organizations to recovery processes.

39. A growing number of countries have programmes aimed at achieving reduction in disaster risk and sustainable recovery from natural disasters through strengthening national and regional capacities. However, despite having more national policies in place, implementation of these policies has been slow and evidence has not shown much reduction in actual vulnerability levels. Post-disaster settings remain the most effective environment in which to introduce new standards and strengthen national policy frameworks (as was shown in India following the Gujarat earthquake). Future UNDP support must focus more on implementation of policies and enforcement of legislation.

40. Two additional lessons emerge from the analysis of our experience in special development situations over the past three years. Firstly, there is need for more flexibility (including in terms of resources) to respond rapidly and effectively to crisis situations. The second is with regard to partnerships and coordination. Given the large number of humanitarian and development actors, further work is needed to strengthen coordination in SDS countries. UNDP needs to provide impetus to this process through its role in the UNDG and close ties with the humanitarian agencies. And whilst there is evidence that the relationship between UNDP and the IFIs (the World Bank in particular) in special development situations has shown improvement over the last three years, more effort is needed to build stronger partnerships with regional organizations (including regional development banks) particularly in Africa and Asia.

III. Part Two – The UNDP Experience with Results Based Management

41. The evolution of the organization over the current MYFF period from an input and process based one, to one that is a focused and responsive partner of programme countries in achieving development change has not been an easy one. Much more than just the simple development and introduction of results-oriented programming instruments, the cultural transformation that this change represents (with major implications on internal resource allocations and office structures, staff skills and capacities, monitoring, incentive and reward systems to name just a few areas) is daunting. As document DP/2003/12 shows, considerable progress has been made, though much remains to be done.

42. Interest was expressed by several delegations, at the informal consultations with Executive Board members, on UNDP's experience to date with Results Based Management. It was felt that a review and discussion of this would not only inform UNDP in the adjustment and refinement of its RBM implementation strategy, but also help in the adoption of results approaches by the broader UN Development Group. This section of the paper will, therefore, assess what the evidence of the past few years reveals for a few key issues with a view to drawing lessons and informing actions in the next MYFF period.

43. Results Based Management in UNDP is based on four main pillars:

- the definition of strategic goals which provide a focus for action;
- the specification of expected, and measurable, results which contribute to these goals and align programmes, partnerships and resources behind them;

- on-going monitoring and assessment of performance, integrating lessons learnt into future planning; and,
- improved accountability, based on continuous feedback to improve performance.

A. Strategic programme focus and positioning

44. The underlying impulse behind a desire for greater programme focus is to avoid dissipation of effort by achieving critical mass in a few selected programme interventions consistent with UNDP's comparative advantage. UNDP country offices have responded in a range of ways. All offices had to contend with a new instrument in 1999—the strategic results framework —at a time when they were already committed to existing country cooperation frameworks with programme governments. This presented a basic challenge: inserting the principles of results orientation into diverse, ongoing programmes. This dual approach was only temporary and is now being streamlined. In 2001 the SRF was internalized into the country programme outline, so with each new country programme formulation, UNDP establishes intended outcomes and outputs in dialogue with the government and other national stakeholders. 'SRF' outcomes and outputs are increasingly becoming country programme outcomes and outputs.

45. Efforts to achieve programme focus have been manifest in several ways, with varying degrees of success. UNDP found, in the 2000 ROAR, that the initial country application of the SRF returned, on average, between 13 and 14 outcomes per office. By the middle of 2003, over 40 country programmes using the new results-oriented format will have been approved by the Executive Board. Each new country programme now supports an average of 8 to 9 mutually agreed country programme outcomes.

46. A good example is the case of a country programme in South Asia. The programme had eleven outcomes covering the six SRF goals. By 2002, this had been reduced to four outcomes with a focus on governance. The directions for the new country programme emerged from rigorous assessment, through evaluations and thematic studies, of the outcomes of ongoing programmes and consultations with diverse actors, in close collaboration with the Government. Similarly, another large Asian country office has been able to increase strategic focus by reducing the number of ongoing projects from 123 in 2001 to 32 in 2002. As a result of a number of thematic and project evaluations in 2001/2002 the country office underwent reprofiling that aligned the programme more closely to UNDP's business plan and better recognized the realities of limited programme resources. The reprofiling resulted in: i) restructuring of UNDP support into a few signature programmes under four strategic areas; ii) scaling down of activities in downstream community-based interventions and closure of microcredit components in which UNDP had no comparative advantage; iii) a decision to partner with local governance structures including for all remaining community-based activities; iv) a decision to infuse all projects with components and resources for policy support; and v) greater insistence on programme quality and counterpart obligations even at the cost of delivery. All programmes now generate trackable baseline data and prepare results-oriented monitoring indicators to measure progress towards outcomes and impact.

47. However, the reality is that UNDP at the country level is continually subject to pressures and requests to provide assistance to meet the needs of a diverse constituency of national partners, making it difficult to achieve a strategic programme focus in a short period. To take the case of a middle income island country: in 2000, the programme had 10 outcomes covering five of the six SRF goals. By 2002, the number of outcomes had increased to 17 covering all six SRF goal areas. The country office has had to broaden its support to include the social, economic, financial and energy areas to improve quality of life in the face of adverse circumstances. As such, the office programme has become more diverse, cutting across several fields and becoming active in several provinces and cities in the country. In 1999 and 2000, a sharp reduction in resources reduced the effectiveness of UNDP in fulfilling its objectives across this increased range of support. This case study draws attention to the dangers of a country office broadening its strategic focus in a climate of declining resources. The increasing incidence of countries in crisis, facing rapid changes in national priorities, will, of course, only exacerbate this trend.

48. It is clear that achieving greater programme focus is not simply a matter of regrouping or reducing the number of programme areas or outcomes sought to be achieved. Given that the choice of focus is a combination of country and donor priorities, and corporate goals and country office capacities, it is equally important that the focus areas and corresponding outputs be positioned so that they form a coherent and mutually supportive package. The experience so far of using the SRF in country programming reveals that in some cases outcomes seem to have been selected as a disparate set of targets, with outputs relating to an outcome that are not internally consistent or mutually reinforcing. The lesson for the future is to encourage offices to use a strategy that enables cross-thematic linkages and complementarity of targets. A country office in eastern Europe has, interestingly, established a programme resource center specifically to enable linkages between programme components, promote key partnerships and backstop the entire programme through cross-thematic surveys and reviews. As a result, gender considerations have been more effectively mainstreamed across the programme and governance has been brought to bear on dealing with environmental problems at the local level.

49. As evident from the above discussion, the process of sharpening strategic programme focus and improving programme positioning at the country level is an ongoing one. UNDP will, through ROAR reporting and other monitoring and oversight mechanisms, keep this under continuous review.

B. Quality of programme formulation

50. The effectiveness of any results based approach is critically dependent on the quality of formulation of outcomes, outputs, and indicators, and the systems in place to continually monitor and assess performance and integrate lessons learned into future planning. With UNDP into its fourth year since the introduction of results based programming, it is appropriate to take stock of our experience in this respect, and make necessary adjustments to processes, instruments and staff capacities.

51. *Use of MYFF/SRF in programme formulation*: The 2000-2003 MYFF/SRF provided country offices with a set of corporate parameters in the form of goals, sub-goals and strategic areas of support intended to ensure that country programming is consistent with the areas of UNDP's corporate strategic focus. To further enhance the guiding value of the framework, UNDP introduced sample outcomes, which illustrated potential development results in a given area of focus. In 2001, approximately 80 percent of the outcomes featuring in a country office SRF were drawn from the samples provided. This suggested a general lack of familiarity with outcome formulation. Two years later, in 2003, analysis of the use of corporate sample outcomes in country programmes submitted to the Executive Board showed that only 48 percent of outcomes were taken from corporately provided samples. Country offices established the remaining outcomes in dialogue with national counterparts. Moreover, the links between outcomes established locally and their corresponding outputs were stronger than the links between corporate sample outcomes and outputs. This evolving experience not only demonstrates a growing familiarity with 'the hierarchy of results', but suggests that a growing number of these outcomes are rooted in national contexts and represent shared, actionable priorities.

52. There have been problems in the *quality of formulation of outcomes and outputs* in country SRFs. From the outset, some outcomes were formulated in a vague form rather than in a specific measurable manner. This was especially the case when the target referred to increased capacity, effectiveness or use. Some corporate sample outcomes, themselves, did not serve well as examples of well-formulated measurable outcomes. There have also been problems with the formulation of outputs. At times, outputs represent UNDP activities rather than reflect development results.

C. Measurement and assessment of results

53. While it is relatively straightforward to measure output achievement, one of the central problems with any results based management system is *how to measure progress towards outcomes*. One method to judge outcome performance is to measure progress using proxy indicators. In some cases this may be obvious: for example for judicial support programmes proxy indicators may include the number of pending court cases, number of public complaints, administrative waiting times, and so on. In other cases, proxy indicators may be less clear. Analysis shows that some outcome indicators did not sufficiently describe corresponding outcomes, especially in the case of complex multi-component outcomes like those in governance area. In these circumstances, indicators tended to specify easy-to-measure results that did not reflect major strategic components of the outcome. Updates on progress, therefore, have tended to be limited to non-key achievements and linked more to outcome indicators than outcomes.

54. To promote quality in establishing outcome indicators, the strategic results framework provided sample outcome indicators. However, the use of corporate sample outcome indicators has been limited: only 26 percent of offices relied on the sample indicators in the recently prepared country programmes while other offices established their own. One lesson regarding the use of the sample outcomes is related to the strength of the link between outcome and output. While generally, the relation between the outputs and corresponding outcomes was strong, the instances of the weaker linkages occurred more often when corporate sample outcomes were used.

55. Other challenges relate to issues of *aggregation and attribution*. While it is possible to be more confident about the accuracy of the assessment of results at the unit level, because it can be observed and measured, aggregation inevitably introduces limitations. Aggregation also requires reporting of data of a quantitative nature, which is not always possible for the substantive results we are dealing with. These limitations have been taken into account in the methodology used to analyse ROAR data. Another challenge is posed by the difficulties in attribution of results (particularly at the outcome level where several partners contribute to its achievement) and capturing of soft interventions. Independent verification exercises to cross-check information reported by country offices have been completed on a regular basis, and provide a high level of corroboration.

D. Heaviness and complexity of RBM formats and reporting requirements

56. The internalization of a results-based approach in UNDP has been affected by difficulties emanating from the heavy SRF format and complex reporting requirements. Feedback from country offices suggests that a three-layer architecture of the corporate part of the SRF, consisting of goals, sub-goals and strategic areas of support, is too onerous to operationalise and may need to be simplified. Furthermore, a large number of strategic areas of support (45) has contributed to a fragmentation of programmes and, in turn, results.

57. Outcome-related information constitutes a significant part of *office reporting* in the results-oriented annual report. This includes, for each outcome, an outcome statement, outcome indicator/s, its baseline and SRF end target, and the report on the progress made. While it is important to use this information at the country level for better monitoring of results, some of the information involved should probably be kept at the country level thus lessening the burden of reporting for country offices. The preparation of the new corporate MYFF will provide the opportunity, in addition to taking into account the UNDP practice areas and our new MDG related goals, to revisit the structure and country reporting requirements related to the MYFF/SRF. The introduction of the corporate Enterprise Resource Planning and reporting software in 2004 will also, undoubtedly, facilitate and ease reporting burdens on country offices.

E. Use of partnerships to achieve outcomes

58. The data shows that UNDP is gaining valuable experience in developing partnerships that can be used more effectively in achieving better development outcomes. While, on the one hand, country offices are much more

sensitive to the importance of joint and coordinated efforts in influencing change, our progress in this area has been uneven and halting. Lack of harmonization of programme approaches (even within the UN system), the difficulty of accounting for funds coming from a variety of sources, and, importantly, internalizing the cultural change that a cooperative approach implies, lies at the heart of the problems being faced.

59. Efforts at resolving these, and other, issues are well underway in UNDP. An inter-agency effort to harmonise results based programme procedures within the Joint Consultative Group on Programming (JCGP) agencies of the UN system should result in specific proposals for change being submitted shortly to the Executive Board. Nevertheless, our experience to date has already yielded important lessons that can be applied immediately. Some key lessons are listed below:

- Clearly delineated and complementary roles of major partners in addressing outcomes are important for effective and trusted collaboration. For example, the partnership between the World Bank and UNDP in the implementation of the Demobilization and Reintegration Programme is a strategic success in Eritrea. The World Bank is the lead agency in coordinating support of partners to the Multi-Trust Donor Trust Fund, while UNDP plays a key role in the design of the social and economic reintegration component of the programme.
- A crucial element of strong national partnerships is close involvement of the government, and other partners, in design, formulation, implementation and evaluation of interventions towards the outcome.
- Governments have tended to seek a greater UNDP role in providing policy support and advice as a key element of successful partnership. UNDP's ability to provide credible and timely policy advice to national counterparts strengthens UNDP's role in coordinating other partners. An enhanced substantive aspect of collaboration helps to solidify the partners' engagement and commitment to common goals.
- Given that UNDP often is centrally positioned and enjoys close proximity to the government, development partners expect UNDP to share information regularly, especially on high-profile development activities, and to provide substantive coordination in linking donor partners with government departments. Partners engage more actively when UNDP is able to effectively leverage its neutrality and take a lead in addressing politically sensitive concerns e.g. human rights, elections, or reconciliation programmes.
- Partnerships with the private sector show uneven progress across sectors. UNDP experience with partnerships established around the Global Compact (e.g. in Guyana, Turkey) can provide best practices for wider application. Another source of practical knowledge is cooperation with business partners in promoting information technology for development. Examples here are UNDP cooperation with CISCO in Bangladesh and Burkina Faso, and the experience of UNDP Bulgaria in fostering collaboration with the largest ICT companies such as Microsoft, HP, IBM and CISCO.
- Partnerships around advocacy and support to the MDGs should provide an increasingly broad and effective avenue to form strategic alliances. Good practices from Albania, Colombia, Cambodia, Mongolia, and emerging successes in many other countries need to be publicized and scaled up broadly.
- Periods of instability resulting in the absence of a number of donors and delays in the organization of roundtables have hampered UNDP's ability to engage partners. At the same time, the experience of Haiti shows that when many bilateral and multilateral agencies withdrew during the political crisis, UNDP was commended for staying and maintaining a dialogue with government and channeling the assistance and demands of the international community.

F. Results based performance planning and appraisal

60. UNDP's *results and competency assessment*, revised in 2003 to infuse individual results planning with unit goals, has become the cornerstone of an integrated human resource system that aims to link staff performance to results. The best practice is for country offices to link the results and competency assessment (RCA) of staff members directly to specific SRF outputs and outcomes. For example, in Latvia, Nepal and South Africa, each programme staff member uses the office's results indicated in the SRF as a basis for RCA planning and reporting.

In Latvia, individual and corporate learning plans also reflect the strategic goals and areas of intervention. However, in reality country offices have found this difficult in situations where several staff members contribute towards an output or where staff may not be directly involved in output activities. This applies in particular to support or staff functions. The task is further complicated for the 'soft' outputs such as advocacy, knowledge networking and awareness raising where it is harder to measure individual contributions and output achievement. There is a clear need to document best practices and aim for their replication across the UNDP network.

61. *Results based incentives*: Although UNDP has become a more results oriented organization since the introduction of RBM, there continues to be a need to provide incentives for country offices to fully adopt RBM best practices and methods. This has proven difficult owing to a relatively heavy results framework and reporting requirements, and an understandable initial reluctance on the part of country offices to embrace a radically new approach to programming. UNDP is currently reviewing the feasibility of budgeting by results through awarding support to those country offices achieving outstanding results. However, there is also a strong case for making resources available to under performing offices as a means to bolster performance. At a minimum, there is a need to move away from judging offices on 'delivery' defined as programme expenditure to a more holistic measure that takes into account development results combined with programme expenditure. At the individual level, it is now generally acknowledged that linking individual RCAs to specific strategic results increases accountability and incentive. More incentives need to be developed to encourage staff to produce better results and reward achievements accordingly.

IV. Part Three – Analysis of Programme Expenditures 2000-2002

A. Aligning resources to strategic outcomes

62. The multi-year funding framework (2000-2003) comprised two parts: a strategic results framework that encompassed the substantive areas in which UNDP committed to deliver results and an integrated resources framework that attempted to bring resource use into the fold of strategic country outcomes. In 2001, country offices were asked to link their programmes and related financial resources to outcomes. A review of financial data shows that 79 percent of UNDP's resources were allocated to SRF outcomes in 2001. The remaining 21 percent of programme expenditures, which were spent on activities outside of the SRF, were mainly of other (non-core) resources consisting of Government cost-sharing arrangements, contributions from other UN agencies and additional resources mobilized and utilized from different funds. Figures for 2002 suggest that the organization continued to increase the concentration of country expenditures in support of corporate strategic outcomes.

63. Some country offices have adopted innovative approaches to planning for results by resources. The Nepal country office has developed a planning framework for optimal utilization of resources that can provide an overview of resource utilization under different thematic areas through programmes and projects. With the help of this framework it is possible to assess whether resources are strategically and cost-effectively allocated, and develop concrete proposals for discussion with counterpart authorities. Another example of successful linkage of resources with development outcomes can be found in Bangladesh. The country office has used its SRF to redirect a large section of the programme portfolio through evaluations in 2001-2002, freeing up $25m. for more policy-oriented development priorities.

64. UNDP's attempt to link resource allocations with planned future results is documented in the new country programme outlines. Analysis shows that in almost 50 percent of these new outlines, resources are allocated to outcomes. The other 50 percent follow a broader linkage to programme areas or strategic areas of support. A few country programmes even assign resources to outcomes in more detail: For example the country programme outlines of Botswana, Cuba, Dominican Republic and Malaysia earmark regular resources as well as other resources (contributions of other UN agencies, private sector funding, Government cost sharing, different funds) to the outcomes.

B. Analysis of programme expenditures

65. Annex 1 presents an overview of the use of UNDP programme resources for the period 2000-2002, broken down by MYFF goals, sub-goals, and resource categories. An analysis of the expenditure data reveals a wealth of information, much of which confirms the broad trends evidenced by the qualitative analysis of ROAR information. While UNDP continues, on an ongoing basis, to analyse and mine the quantitative (and qualitative) database for management purposes, this section summarises some of the major conclusions reached through an initial analysis of programme expenditures, first at the corporate level, and then for individual MYFF goals.

66. The data shows that, *at the corporate level*, overall programme expenditure on country programmes for the three-year period 2000-2002 amounted to $5 287 million. Of this, regular resources funded from voluntary contributions accounted for $943 million (or 18 per cent). Donor co-financing accounted for $1 649 million (31 per cent), and programme country cost-sharing $2 695 million (51 per cent). This confirms the overall trend in UNDP of an increasing reliance on non-core resources, which funded more than four-fifths of all UNDP activities in the period under review.

67. A number of country offices reported that a lack of resources acted as a constraint on their ability to successfully implement programmes and produce planned results. It is clear that a reduced level of policy and programme support to national partners also adversely affects UNDP's positioning and limits its ability to attract other development partners and leverage non-core resources.

68. The largest share out of total programme resources was invested in governance programmes (42 per cent), followed by poverty (26 per cent), energy and environment and special development situations (15 per cent each), and gender (1 per cent). This overall distribution of resources by MYFF goal area, however, masks considerable variation in the allocation of resources by funding category. Almost three-fourth's of UNDP core resources have been used, in equal proportions, for governance and poverty programmes, with much smaller amounts devoted to the other MYFF goals. In stark contrast, almost two thirds of donor co-financing goes to the environment and special development situation goals. While more investigation is needed to uncover the underlying reasons for this seeming difference in priorities, the data suggests a beneficial complementarity. This is borne out by country experience with environment related programmes, where UNDP has consciously used core resources as seed funding to catalyse non-core resource mobilization.

69. It is interesting to note that in overall terms, local funding by programme country governments (and this excludes in-kind contributions and contributions to local office costs) outweighs UNDP core funding by a margin of almost three to one. Understandably, almost all local contributions came from middle-income countries (MICs) and net contributor countries (NCCs), with least developed countries (LDCs) accounting for only 1 per cent of local resources. While possible regional variations in this pattern remain to be further investigated, the vote of confidence in the organisation that this implies bodes well for the future.

70. The fact that programme expenditure on the gender goal is so low (only 1 per cent of total expenditure) is a matter of concern. However, as pointed out in earlier reports to the Executive Board, this data should be treated with caution: significant expenditure for gender related activities (as for special development situations) is likely to have been mainstreamed in governance and poverty programmes. The current structure of the MYFF and methodological limitations in the reporting of data, at present, make it difficult to isolate gender specific initiatives from programmes with broader objectives.

71. A review of *programme expenditures by MYFF goal* reveals interesting trends that should be used to plan future interventions. The dominance of the *governance goal* in terms of its share of total expenditure has already been commented on. Within the goal, it is significant that local resources fund 68 per cent of disbursements, which is more than four times the amount provided by UNDP and other donors individually. This suggests that UNDP service lines within the governance goal are closely aligned with, and directly respond to the needs of,

programme countries. Capacity building for the public sector, one of the four service lines within the governance goal, accounts for more than half of all expenditure, and appears to be favored by local partners. In contrast, UNDP regular funding is predominantly directed to local governance and decentralisation activities.

72. In the *poverty goal*, again, the major part of the funding (58 per cent) comes from national sources, with UNDP contributing less than half that amount, and other donors even less than that. Overall, there appears to be a balance in priority between upstream and downstream interventions, with almost equal amounts being spent on the two service lines within the goal: national poverty frameworks and access of the poor to assets.

73. The *environment goal*, as mentioned earlier, presents an interesting case where UNDP core funding has been used primarily to attract complementary funding from local counterparts or donors, bilateral or the global environment funds. Overall, and on average, UNDP funding of $1 has leveraged $6 of donor inputs. For the service line "instruments for environmental sustainability" this ratio balloons to 1:17, partially explained by the access to large amounts of funding from the Global Environment Facility and the Montreal Protocol for which UNDP has provided capacity building support.

74. An analysis of programme expenditure under the MYFF goal "special development situations" once again reveals the pattern whereby UNDP funding has been effectively used to bring in much larger volumes of donor funding. In crisis or post-crisis situations, the data shows that UNDP resources have resulted in almost ten times their value in donor (both national and external) contributions. National contributions, while almost twice the level of UNDP, have understandably been low, given the conditions of stress that characterize most crises. Almost 80 per cent of all programme expenditures in special development situations are for conflict prevention and peace building as opposed to disaster reduction (20 per cent), a reflection of the chronic and more destructive nature of crises in societies in conflict.

Annex 1. Programme Expenditure of all Country Offices

Integrated Resources Framework data by MYFF goal and sub-goal for 2000-2002 *

GOALS	SUBGOALS	Programme expenditure (US$ millions)					Percentage distribution of programme expenditures by goal and sub-goal					Percentage distribution of programme expenditures by funding category				
		Donor resources			Local resources		Donor resources			Local resources		Donor resources			Local resources	
		Regular resources	Other resources (co-financing)	Total donor resources	Other resources (government cost sharing)	Total	Regular resources	Other resources (co-financing)	Total donor resources	Other resources (government cost sharing)	Total	Regular resources	Other resources (co-financing)	Total donor resources	Other resources (government cost sharing)	Total
G1: Governance	G1-SGN1: Dialogue that widens development choices	81	71	152	202	354	9 %	4 %	6 %	7 %	7 %	23 %	20 %	43 %	57 %	100 %
	G1-SGN2: Key governance institutions	53	107	160	99	259	6 %	6 %	6 %	4 %	5 %	20 %	41 %	62 %	38 %	100 %
	G1-SGN3: Local Governance	145	94	239	112	351	15 %	6 %	9 %	4 %	7 %	41 %	27 %	68 %	32 %	100 %
	G1-SGN4: Public Sector	69	91	160	1 106	1 266	7 %	6 %	6 %	41 %	24 %	5 %	7 %	13 %	87 %	100 %
subtotal		348	363	711	1 519	2 230	37 %	22 %	27 %	56 %	42 %	16 %	16 %	32 %	68 %	100 %
G2: Poverty	G2-SGN1: National poverty frameworks	195	118	313	346	659	21 %	7 %	12 %	13 %	12 %	30 %	18 %	47 %	53 %	100 %
	G2-SGN2: Access to assets	172	91	263	457	720	18 %	6 %	10 %	17 %	14 %	24 %	13 %	37 %	63 %	100 %
subtotal		367	209	576	803	1 379	39 %	13 %	22 %	30 %	26 %	27 %	15 %	42 %	58 %	100 %
G3: Energy and Environment	G3-SGN1: Environment and energy for livelihoods	101	259	360	215	575	11 %	16 %	14 %	8 %	11 %	18 %	45 %	63 %	37 %	100 %
	G3-SGN2: Instruments for environmental sustainability	12	192	204	12	216	1 %	12 %	8 %	0 %	4 %	6 %	89 %	94 %	6 %	100 %
subtotal		113	451	564	227	791	12 %	27 %	22 %	8 %	15 %	14 %	57 %	71 %	29 %	100 %
G4: Gender	G4-SGN1: Gender equality	30	11	41	12	53	3 %	1 %	2 %	0 %	1 %	57 %	21 %	77 %	23 %	100 %
	G4-SGN2: Implementation of global commitments	9	8	17	0	17	1 %	0 %	1 %	0 %	0 %	53 %	47 %	100 %	0 %	100 %
subtotal		39	19	58	12	70	4 %	1 %	2 %	0 %	1 %	56 %	27 %	83 %	17 %	100 %
G5: Special Development Situations	G5-SGN1: Disaster reduction	15	61	76	96	172	2 %	4 %	3 %	4 %	3 %	9 %	35 %	44 %	56 %	100 %
	G5-SGN2: Conflict prevention and peace-building	61	546	607	38	645	6 %	33 %	23 %	1 %	12 %	9 %	85 %	94 %	6 %	100 %
subtotal		76	607	683	134	817	8 %	37 %	26 %	5 %	15 %	9 %	74 %	84 %	16 %	100 %
Total all country offices		943	1 649	2 592	2 695	5 287	100 %	100 %	100 %	100 %	100 %	18 %	31 %	49 %	51 %	100 %
other **		202	368	570	0	570						35 %	65 %	100 %	0%	100 %
TOTAL 2000-2002		1 145	2 017	3 162	2 695	5 857						20 %	34 %	54 %	46 %	100 %

* Excluding Goal 6 – UNDP Support to the United Nations

** Covers both regular and other programme resources, regional and global programmes and other (Evaluation, TCDC, Programme of Assistance to the Palestine People, Development Support Services, etc.)